

Budgeting for a worry-free retirement

Why is budgeting so important?

Will your income be enough to ensure the standard of living you want in retirement? This is a key question, and clarity comes from budget planning, and comparing your future income sources and expenses. Of course, planning alone cannot replace a lack of funds.

Planning makes you aware of your expenses and allows you to consider your priorities and fine-tune your spending decisions. Budget planning provides security by giving you a picture of your monthly income and outgoings in retirement.

A worry-free retirement

Taking budgeting seriously is the cornerstone of ensuring a comfortable retirement without unexpected financial surprises. Once you know how much income you will need each month, you can start to make other important decisions about your finances.

If you have extra income beyond your immediate needs, you can explore longer-term investments offering better returns. This also helps you make decisions regarding taking a tax-free lump sum, or perhaps considering purchasing an annuity to provide a guaranteed income.

Spending changes in retirement

If you are drawing up a budget for the first time, you must first get used to tracking your expenses regularly. It often makes sense to keep both a monthly and annual budget sheet in parallel. On pages 3 and 4 you will find a template to use for your personal budget.

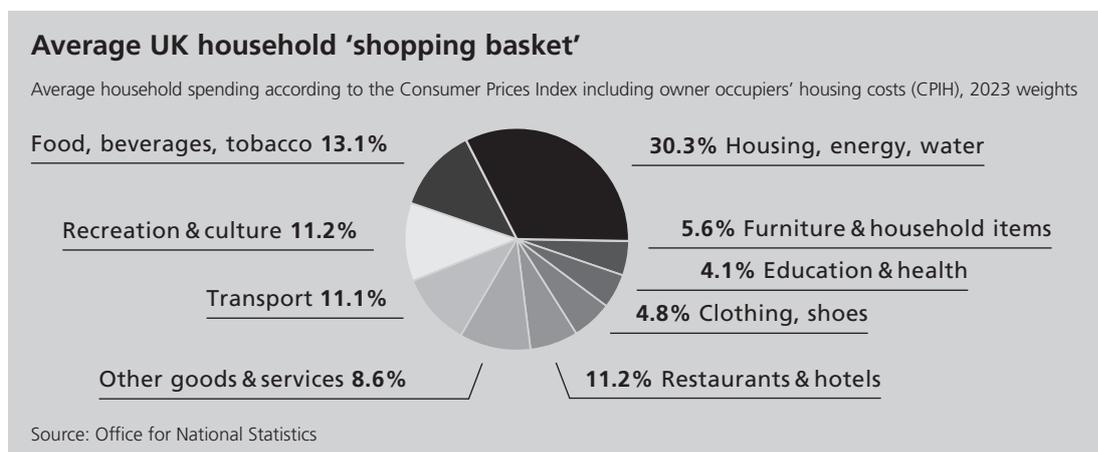
Health insurance is no longer necessary. Private health insurance, on the other hand, is likely to become more expensive with age. Even after retirement, taxes may remain a significant expenditure item, but overall taxes are likely to decline.

The first step is to note your current expenditure. From there you can start to think about how your spending patterns may change in retirement. Experience shows that some expenses will decrease, while others increase. Work-related costs such as commuting, suits, and eating out with colleagues are likely to decline, or even disappear.

After retirement there is more time to enjoy yourself. Spending on holidays, hobbies and other leisure activities often increases in the early years of retirement. For many retirees, health issues also give rise to additional costs.

Insurance premiums generally decrease. Endowment life policies have matured, and income pro-

tection insurance is no longer necessary. Among the largest expense items are the costs of housing, taxes and insurance. Together they account for around half of all expenses for many households. You should therefore pay extra attention to these larger items.



Potential saving opportunities

Living costs

Consider whether your current home will also suit your needs after you retire. This could be a good time to reconsider your options.

You may need less space if your family has grown up. A smaller home is likely to be less expensive and less work to maintain. Or perhaps you can now afford a second holiday home in the UK or abroad. Remember that your home must meet your future needs, so that you can live there comfortably, even if you are no longer as mobile as you are today.

Taxes

Retirement sets your taxes on a new course, so tax planning is particularly important in the lead up to retirement. If you are planning your income – and aware of your allowances – as you approach retirement, you will be able to save taxes every year. This is also a good time to reassess any mortgages, and whether your assets are optimally invested to minimise taxes.

Health insurance

Escalating healthcare costs are a concern as people get older, and this is likely to be reflected in insurance premiums. We recommend a comparison of your current premiums and an analysis of your latest coverage needs.

Some benefits may become less important in retirement, while others can become more valuable to you. Consider increasing your deductibles and exploring other options to reduce your premiums.

Other insurance needs

Check your policies for costs and benefits as there is often room for making adjustments. It is best to review your overall insurance needs to ensure that you are neither over-insured nor under-insured.

Then check whether you have chosen the best provider and the best products to meet your current needs. You may find that there are some small risks that may not justify the costs of insuring them.

10 tips for your retirement budget

1. Collect receipts for all your expenses for the current month.
2. Record all regular expenses such as rent, insurance, utilities, food, hobbies, petrol, and public transportation.
3. Record expenses that occur quarterly, semi-annually or annually, e.g. car maintenance, insurance premiums, taxes or holidays.
4. Distribute larger bills (e.g. insurance, taxes) on a monthly basis across the year.
5. Plan a reserve, for example for medical expenses, repairs, or moving costs.
6. Consider which expenses you can do without in case of emergency situations, e.g. clothes, holidays, hobbies.
7. Highlight the expenses where you see opportunities for potential savings (whether large or small).
8. Record your regular income such as pensions, earnings, and income from investments and property.
9. Compare your total income to your total outgoings to see if you can make regular additions to your investments, or whether you are gradually eroding your capital.
10. Calculate how long your assets will last with your current budget. Be sure to take account of inflation on your expenses in the future.

Lumin retirement planning

Effective retirement planning sets you up for the next stages of your life. There are important decisions to get right, and it is always good to plan early. Speak to a Lumin expert for professional and independent advice around State and private

pensions, ISAs and investments, inheritance and tax planning, and financial protection for yourself and your family. A holistic plan provides an overall strategy to coordinate your decisions, balance your priorities, and achieve your goals.

Budget sheet of _____

Expenses	Current/month	Current/year	After retirement/year
Housing			
- Mortgage interest/rent	_____	_____	_____
- Incidental expenses (gas, electricity, water)	_____	_____	_____
- Maintenance/repairs	_____	_____	_____
- Telephone, broadband, TV	_____	_____	_____
Taxes/NIC			
- Income tax	_____	_____	_____
- National Insurance	_____	_____	_____
Insurance			
- Life insurance, accident/sickness	_____	_____	_____
- Private medical insurance	_____	_____	_____
- Car (incl. taxes)	_____	_____	_____
- Building/building content	_____	_____	_____
- Other (e.g. travel, personal liability)	_____	_____	_____
Health			
- Dentist	_____	_____	_____
- Optician	_____	_____	_____
- Personal hygiene/cosmetics	_____	_____	_____
- Other	_____	_____	_____
Household			
- Food, beverages	_____	_____	_____
- Meals away from home	_____	_____	_____
- Clothes, footwear	_____	_____	_____
- Newspapers, magazines	_____	_____	_____
- Other (e.g. pets)	_____	_____	_____
Transportation			
- Public transport	_____	_____	_____
- Car (fuel, maintenance)	_____	_____	_____
Leisure			
- Hobbies	_____	_____	_____
- Culture and experiences	_____	_____	_____
- Books/education	_____	_____	_____
- Holidays	_____	_____	_____
Miscellaneous			
- Membership fees	_____	_____	_____
- Gifts and donations	_____	_____	_____
- Provisions for purchases (car, furniture)	_____	_____	_____
- Alimony	_____	_____	_____
- Other expenses	_____	_____	_____
Total expenses	_____	_____	_____

Income	Current/month	Current/year	After retirement/year
Employment income			
State Pension			
Scheme pension(s)			
Private life annuity(s)			
Interest/dividend income (net)			
Rental income			
Other income			
Total income			

Deficit/surplus

Total income (carried forward)			
Total expenses (carried forward)			
Deficit/surplus			

In expert hands
with Lumin

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